

HIGHLANDS METROPOLITAN DISTRICT NO. 2 2021 ANNUAL REPORT

Pursuant to the Amended and Restated Service Plan of Highlands Metropolitan District No. 2 (the “District”), the District is required to submit an annual report to the City and County of Broomfield, Colorado (“Broomfield”) for the proceeding calendar year.

To the best of our actual knowledge, for the year ending December 31, 2021, the District makes the following report:

A. Boundary changes made or proposed.

There were no boundary changes made or proposed within the District in 2021.

B. Intergovernmental Agreements with other governmental bodies entered into or proposed.

There were no new intergovernmental agreements with other governmental bodies entered into or proposed in 2021.

C. Changes or proposed changes in the District’s policies.

There were no changes or proposed changes in the District’s policies in 2021.

D. Changes or proposed changes in the District's operations.

There were no changes or proposed changes in the District’s operations in 2021.

E. Any changes in the financial status of the District including revenue projections, or operating costs.

A copy of the District's 2022 budget is attached hereto as **Exhibit A.**

F. A summary of any litigation, which involves the District.

To our actual knowledge, based on review of the court records in Broomfield County, and the Public Access to Court Electronic Records (PACER), there is no litigation involving the District as of December 31, 2021.

G. Proposed plans for the year immediately following the year summarized in the annual report.

The developer has previously completed installation and acceptance of all public improvements within the project with the exception of traffic signals located at County Road 7 & 169th Avenue and Sheridan Parkway & 169th Avenue of which the District is

responsible for 25% of the costs. The District and Highlands Metropolitan District No. 3 have entered into an IGA for the construction of said improvements and funds have been deposited by the District into escrow for the purpose of funding its share of the costs (said agreements were disclosed in the 2020 annual report).

H. Current assessed valuation in the District.

The 2021 assessed valuations are attached hereto as **Exhibit B**. The 2021 assessed valuation is in the amount of \$116,341,600.

I. Except when an exemption from audit has been granted for the report year under the Local Government Audit Law, the audited financial statements of the District for the report year.

The audit for the year ending December 31, 2021 has not been completed as of this filing. The District will file a supplemental report to this Annual Report when the results of the 2021 audit is completed.

EXHIBIT A
2022 Budget

HIGHLANDS METROPOLITAN DISTRICT NO. 2
2022
BUDGET MESSAGE

Attached please find a copy of the adopted 2022 budget for the Highlands Metropolitan District No. 2.

The Highlands Metropolitan District No. 2 has adopted budgets for two funds, a General Fund to provide for the payment of general operating expenditures; and a Debt Service Fund to provide for payments on the outstanding general obligation bonds.

The district's accountants have utilized the modified accrual basis of accounting and the budget has been adopted after proper postings, publications, and public hearing.

The primary sources of revenue for the district in 2022 will be development fees, and TIF revenue. The district intends to impose a mill levy of 50.000 mills on all property within the district for 2022, of which 5.000 mills will be dedicated to the General Fund and the balance of 45.000 mills will be allocated to the Debt Service Fund.

Highlands Metropolitan District No. 2
Adopted Budget
General Fund
For the Year ended December 31, 2022

	Actual <u>2020</u>	Adopted Budget <u>2021</u>	Actual <u>8/31/2021</u>	Estimate <u>2021</u>	Adopted Budget <u>2022</u>
Beginning fund balance	\$ 20,866	3,581	\$ 3,918	\$ 20	12,676
Revenues:					
Property taxes	691	623	623	691	644
TIF	37,132	37,948	37,448	37,723	40,695
Specific ownership taxes	2,139	2,656	1,536	2,000	2,849
Interest income	2,354	-	53	3,500	-
Total revenues	<u>42,316</u>	<u>41,227</u>	<u>39,660</u>	<u>43,914</u>	<u>44,188</u>
Total funds available	<u>63,182</u>	<u>44,808</u>	<u>43,578</u>	<u>43,934</u>	<u>56,864</u>
Expenditures:					
Audit	4,400	4,500	-	4,400	5,000
Accounting	9,459	5,500	7,610	8,500	5,500
Legal	44,501	15,000	7,732	15,000	15,000
Election	-	-	-	-	5,000
Insurance & bonds	3,589	3,400	3,177	3,200	3,400
Miscellaneous	1,203	1,500	80	150	1,500
Treasurer's fee	10	9	9	8	10
Contingency	-	14,002	-	-	20,392
Emergency reserve (3%)	-	897	-	-	1,062
Total expenditures	<u>63,162</u>	<u>44,808</u>	<u>18,608</u>	<u>31,258</u>	<u>56,864</u>
Ending fund balance	<u>\$ 20</u>	<u>-</u>	<u>\$ 24,970</u>	<u>\$ 12,676</u>	<u>-</u>
Current Year Total		7,714,290			8,391,680
Current year TIF		7,589,649			8,262,928
Assessed valuation		<u>124,641</u>			<u>128,752</u>
Mill Levy		<u>5.000</u>			<u>5.000</u>

Highlands Metropolitan District No. 2
Adopted Budget
Capital Projects Fund
For the Year ended December 31, 2022

	Actual <u>2020</u>	Adopted Budget <u>2021</u>	Actual <u>8/31/2021</u>	Estimate <u>2021</u>	Adopted Budget <u>2022</u>
Beginning fund balance	\$ 760,752	12,387	\$ 11,833	\$ 11,833	-
Revenues:					
Interest income	3,446	1,000	8	8	-
Total revenues	3,446	1,000	8	8	-
Total funds available	764,198	13,387	11,841	11,841	-
Expenditures:					
Capital expenditures	752,365	13,387	-	-	-
Transfer to Debt Service	-	-	11,841	11,841	-
Total expenditures	752,365	13,387	11,841	11,841	-
Ending fund balance	\$ 11,833	-	\$ -	\$ -	-

Highlands Metropolitan District No. 2
Adopted Budget
Debt Service Fund
For the Year ended December 31, 2022

	Actual <u>2020</u>	Adopted Budget <u>2021</u>	Actual <u>8/31/2021</u>	Estimate <u>2021</u>	Adopted Budget <u>2022</u>
Beginning fund balance	\$ 1,200,125	1,343,664	\$ 1,066,813	\$ 1,066,813	8,686
Revenues:					
Property taxes	7,582	6,930	6,928	6,928	5,794
TIF	407,484	421,954	415,193	421,000	371,832
Specific ownership taxes	23,477	25,733	16,853	25,000	22,658
Loan proceeds	-	-	7,275,000	7,275,000	-
Development fees	-	-	-	-	-
Interest Income	6,506	3,500	321	500	500
Transfer from Capital Projects fund	-	-	11,843	11,843	-
Bond proceeds subordinate	-	-	-	-	-
Total revenues	445,049	458,117	7,726,138	7,740,271	400,784
Total funds available	1,645,174	1,801,781	8,792,951	8,807,084	409,470
Expenditures:					
Trustee fee	7,800	6,000	5,700	5,700	-
Treasurer's fees	115	107	106	104	87
Bond interest	301,350	301,350	-	144,918	241,518
Sub bond interest	254,131	-	-	-	-
Cost of issuance	14,965	-	236,095	236,095	-
Bond principal	-	35,000	-	100,000	150,000
Repay developer advances	-	-	350,000	350,000	-
Payment to refunding escrow	-	-	7,961,581	7,961,581	-
Total expenditures	578,361	342,457	8,553,482	8,798,398	391,605
Ending fund balance	\$ 1,066,813	1,459,324	\$ 239,469	\$ 8,686	17,865
Current Year Total		7,714,290			8,391,680
Current year TIF		7,589,649			8,262,928
Assessed valuation		124,641			128,752
Mill Levy		55.596			45.000

EXHIBIT B
2021 Assessed Valuation

New Tax Entity? ☐ YES ☒ NOBroomfield County COUNTY ASSESSORDate 11/19/2021NAME OF TAX ENTITY: HIGHLANDS METRO DIST 2 GEN

USE FOR STATUTORY PROPERTY TAX REVENUE LIMIT CALCULATION ("5.5%" LIMIT) ONLY

IN ACCORDANCE WITH 39-5-121(2)(a) and 39-5-128(1), C.R.S., AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES THE TOTAL VALUATION FOR ASSESSMENT FOR THE TAXABLE YEAR 2021:

1.	PREVIOUS YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	1.	\$ <u>124,641</u>
2.	CURRENT YEAR'S GROSS TOTAL TAXABLE ASSESSED VALUATION: ‡	2.	\$ <u>8,391,680</u>
3.	LESS TOTAL TIF AREA INCREMENTS, IF ANY:	3.	\$ <u>8,262,928</u>
4.	CURRENT YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	4.	\$ <u>128,752</u>
5.	NEW CONSTRUCTION: *	5.	\$ <u>254,380</u>
6.	INCREASED PRODUCTION OF PRODUCING MINE: ≈	6.	\$ <u>0</u>
7.	ANNEXATIONS/INCLUSIONS:	7.	\$ <u>0</u>
8.	PREVIOUSLY EXEMPT FEDERAL PROPERTY: ≈	8.	\$ <u>0</u>
9.	NEW PRIMARY OIL OR GAS PRODUCTION FROM ANY PRODUCING OIL AND GAS LEASEHOLD OR LAND (29-1-301(1)(b), C.R.S.): ☐	9.	\$ <u>0</u>
10.	TAXES RECEIVED LAST YEAR ON OMITTED PROPERTY AS OF AUG. 1 (29-1-301(1)(a), C.R.S.). Includes all revenue collected on valuation not previously certified:	10.	\$ <u>\$0.00</u>
11.	TAXES ABATED AND REFUNDED AS OF AUG. 1 (29-1-301(1)(a), C.R.S.) and (39-10-114(1)(a)(I)(B), C.R.S.):	11.	\$ <u>\$0.00</u>

‡ This value reflects personal property exemptions IF enacted by the jurisdiction as authorized by Art. X, Sec. 20(8)(b), Colo. Constitution

* New Construction is defined as: Taxable real property structures and the personal property connected with the structure.

≈ Jurisdiction must submit to the Division of Local Government respective Certifications of Impact in order for the values to be treated as growth in the limit calculation; use Forms DLG 52 & 52A.

☐ Jurisdiction must apply to the Division of Local Government before the value can be treated as growth in the limit calculation; use Form DLG 52B.

USE FOR TABOR "LOCAL GROWTH" CALCULATION ONLY

IN ACCORDANCE WITH ART. X, SEC. 20, COLO. CONSTITUTION AND 39-5-121(2)(b), C.R.S., THE Broomfield County ASSESSOR CERTIFIES THE TOTAL ACTUAL VALUATION FOR THE TAXABLE YEAR 2021:

1.	CURRENT YEAR'S TOTAL ACTUAL VALUE OF ALL REAL PROPERTY: ¶	1.	\$ <u>116,013,600</u>
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ADDITIONS TO TAXABLE REAL PROPERTY

2.	CONSTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS: *	2.	\$ <u>3,557,710</u>
3.	ANNEXATIONS/INCLUSIONS:	3.	\$ <u>0</u>
4.	INCREASED MINING PRODUCTION: §	4.	\$ <u>0</u>
5.	PREVIOUSLY EXEMPT PROPERTY:	5.	\$ <u>0</u>
6.	OIL OR GAS PRODUCTION FROM A NEW WELL:	6.	\$ <u>0</u>
7.	TAXABLE REAL PROPERTY OMITTED FROM THE PREVIOUS YEAR'S TAX	7.	\$ <u>0</u>

WARRANT: (If land and/or a structure is picked up as omitted property for multiple years, only the most current year's actual value can be reported as omitted property.)

DELETIONS FROM TAXABLE REAL PROPERTY

8.	DESTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS:	8.	\$ <u>0</u>
9.	DISCONNECTIONS/EXCLUSIONS:	9.	\$ <u>0</u>
10.	PREVIOUSLY TAXABLE PROPERTY:	10.	\$ <u>0</u>

¶ This includes the actual value of all taxable real property plus the actual value of religious, private school, and charitable real property.

* Construction is defined as newly constructed taxable real property structures.

§ Includes production from new mines and increases in production of existing producing mines.

IN ACCORDANCE WITH 39-5-128(1), C.R.S., AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES TO SCHOOL DISTRICTS:

TOTAL ACTUAL VALUE OF ALL TAXABLE PROPERTY \$116,341,600

IN ACCORDANCE WITH 39-5-128(1.5), C.R.S., THE ASSESSOR PROVIDES:

HB21-1312 ASSESSED VALUE OF EXEMPT BUSINESS PERSONAL PROPERTY (ESTIMATED): ** \$0

*** The tax revenue lost due to this exempted value will be reimbursed to the tax entity by the County Treasurer in accordance with 39-3-119.5(3), C.R.S.

NOTE: ALL LEVIES MUST BE CERTIFIED to the COUNTY COMMISSIONERS NO LATER THAN DECEMBER 15.

EXHIBIT C
2021 Final Audit

The audit for the year ending December 31, 2021 has not been completed as of this filing. The District will file a supplemental report to this Annual Report when the results of the 2021 audit is completed.